

Message Text

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ORIGIN SS-25

INFO OCT-01 ISO-00 /026 R

DRAFTED BY ARA/BR:JSLATTERY

APPROVED BY THE SECRETARY

ARA:AFISHLOW (DRAFT)

EB/ORF:JKATZ

EB/TRP:TO'DONNELL

ARA/ECP:JO'MAHONY

ARA/BR:RWZIMMERMANN

ARA:HARYAN

E:CROBINSON

S/S-O: MTANNER

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R 170218Z JUL 75

FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA

C O N F I D E N T I A L STATE 168227

EXDIS

E.O. 11652: N/A

TAGS: ETRD, EAGR, OCON, PFOR, BR

SUBJECT: COFFEE NEGOTIATIONS - SECRETARY'S LETTER TO
SILVEIRA

1. PLEASE DELIVER FOLLOWING MESSAGE FROM SECRETARY
KISSINGER TO FOREIGN MINISTER SILVEIRA:

2. QUOTE DEAR ANTONIO: CHUCK ROBINSON HAS TOLD ME ABOUT
THE GOOD DISCUSSIONS HE HAD WITH YOU AND OTHER MINISTERS
DURING HIS VISIT TO BRASILIA. I AM DELIGHTED THAT WE HAVE
AGREED TO ESTABLISH AN ECONOMIC CONSULTATIVE GROUP, WHICH
WILL PERMIT US TO UNDERSTAND BETTER EACH OTHER'S POSITIONS
ON GLOBAL AND BILATERAL ECONOMIC ISSUES AND TO SEEK
APPROACHES TO RESOLVING THE DIFFERENCES WHICH ARISE
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BETWEEN US. THIS, OF COURSE, IN NO WAY DETRACTS FROM THE

DESIRABILITY OF CONTINUING INTERCHANGE ON OTHER ISSUES AT THE HIGHEST LEVEL; RATHER IT REFLECTS OUR FEELING THAT MANY OF THESE ECONOMIC QUESTIONS CAN BE MOST EFFECTIVELY DISCUSSED AT THE LEVEL OF THE ECONOMIC CONSULTATIVE GROUP.

3. CHUCK ALSO DISCUSSED WITH ME YOUR CONCERN ABOUT OUR POSITION DURING THE COFFEE NEGOTIATIONS. BOTH IN BILATERAL AND MULTILATERAL DISCUSSIONS, THE US HAS SOUGHT TO PUT FORWARD CONSTRUCTIVE PROPOSALS WHICH WOULD ADVANCE THE

NEGOTIATIONS AND IMPROVE THE OPERATION OF A NEW COFFEE AGREEMENT. I UNDERSTAND THAT A PAPER PUT FORWARD BY CONSUMERS RESULTED IN SOME MISUNDERSTANDING BETWEEN THEM AND THE BRAZILIAN DELEGATION. HOWEVER, THIS WAS RESOLVED QUICKLY AND THERE WAS CONSIDERABLE PROGRESS IN THE FINAL DAYS OF THE MEETING.

4. I UNDERSTAND THAT THE MEETING JUST CONCLUDED MOVED US SIGNIFICANTLY CLOSER TOWARD A FULLY-OPERATIVE NEW ICA WHICH ACCOMODATES THE BASIC INTERESTS OF BOTH PRODUCERS AND CONSUMERS. ALTHOUGH THE POINTS OF AGREEMENT ARE GENERAL, AND MUCH REMAINS TO BE DONE, I BELIEVE THAT THE NEGOTIATIONS ARE MOVING IN THE RIGHT DIRECTION. YOU CAN BE ASSURED THAT THE US WILL CONTINUE TO PLAY A CONSTRUCTIVE ROLE. WE LOOK FORWARD TO RESUMING THE NEGOTIATIONS IN THE FALL, AND HOPE TO REACH FULL AGREEMENT ON THE TEXT OF A NEW ICA AT THAT TIME.

5. I THINK THE ICA IS AN IMPORTANT BENCHMARK IN OUR OVERALL COMMODITY POLICY. THE US IS COMMITTED TO SERIOUS CONSIDERATION OF WAYS OF RESOLVING THE COMMODITY PROBLEMS OF THE DEVELOPING COUNTRIES. IN SO DOING, WE MUST BE CAREFUL TO DEVISE FLEXIBLE APPROACHES THAT ENSURE THE LONG-TERM VIABILITY OF OUR EFFORT. IN OTHER WORDS, I BELIEVE WE NEED BOTH THE POLITICAL VISION TO UNDERSTAND THE VITAL IMPORTANCE OF COMMODITY ISSUES TO THE PEOPLES OF THE DEVELOPING WORLD, AND A PRACTICAL APPRECIATION OF THE COMPLEXITY AND DIVERSITY OF THE PROBLEMS WHICH MUST BE RESOLVED.

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6. SUCH DIVERSITY REQUIRES A VARIETY OF RESPONSES IF WE ARE TO ADVANCE TOWARD THE RESOLUTION OF THESE PROBLEMS. WE ARE THEREFORE PLACING EMPHASIS ON BROADLY-BASED APPROACHES TO COMMODITY PROBLEMS. WE ARE PREPARED TO CONSIDER COMMODITY AGREEMENTS WHERE THEY ARE APPROPRIATE. BUT OUR STRATEGY INCLUDES A NUMBER OF OTHER APPROACHES, IN ADDITION TO COMMODITY AGREEMENTS: BETTER ACCESS TO MARKETS, INCREASED FINANCING OF INVESTMENTS, AND IMPROVED

MECHANISMS FOR THE STABILIZATION OF EARNINGS. MOREOVER, WHERE COMMODITY AGREEMENTS OF THE TRADITIONAL SORT ARE NOT APPROPRIATE WE WISH TO CONSIDER OTHER TECHNIQUES, SUCH AS DIVERSIFICATION, LOWER-COST EFFICIENCY, PRODUCT IMPROVEMENT ETC. THE US IS PREPARED TO DEAL WITH THE RAW MATERIAL QUESTION WITH BOTH ECONOMIC REALISM AND POLITICAL IMAGINATION, AND WE ARE LOOKING FORWARD TO A CONSTRUCTIVE DIALOGUE ON THIS ISSUE AT THE UPCOMING PREPARATORY MEETING FOR THE PRODUCER-CONSUMER CONFERENCE.

7. I THINK THE HISTORY OF OUR CO-OPERATION IN COFFEE PROVIDES US A GOOD EXAMPLE FOR THAT PROCESS. WITH ALL ITS SHORT-COMINGS AND LIMITATIONS, WE WERE ABLE TO ACHIEVE LONG-TERM CO-OPERATION BETWEEN PRODUCERS AND CONSUMERS THROUGH AN AGREEMENT WHICH SERVED OUR MUTUAL INTERESTS. BUILDING ON THIS FOUNDATION, I BELIEVE WE CAN IMPROVE THAT CO-OPERATION BOTH IN A NEW COFFEE AGREEMENT AND WITH REGARD TO OTHER COMMODITIES.

8. MY WARMEST REGARDS, HENRY. UNQUOTE. KISSINGER

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COFFEE, DIPLOMATIC NOTES, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 JUL 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE168227
Document Source: CORE
Document Unique ID: 00
Drafter: JSLATTERY
Enclosure: DG ALTERED
Executive Order: GS
Errors: N/A
Film Number: D750247-0213
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750746/aaaabpfi.tel
Line Count: 135
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 04 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 SEP 2003 by CunninFX>; APPROVED <25 NOV 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COFFEE NEGOTIATIONS - SECRETARY'S LETTER TO SILVEIRA
TAGS: ETRD, EAGR, OCON, PFOR, BR, (KISSINGER, HENRY A), (AZEREDO DA SILVEIRA, ANTONIO F)
To: BRASILIA
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006